Cominco

Cominco Ltd/64th Annual Report 1969

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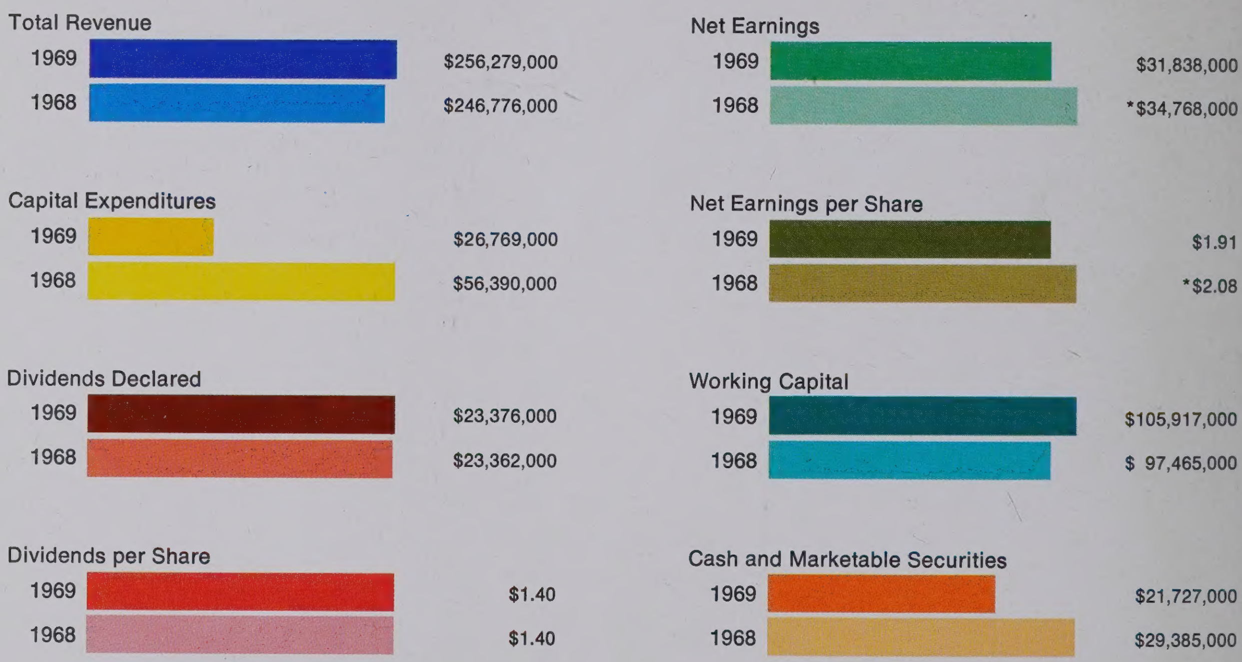
Financial Highlights



*(Restated)

Cover

The Cominco Building, Pender Street, Vancouver, B.C. in which the Company's Vancouver-based operations are centralized.

Contents

COMINCO LTD.
REPORT OF THE
63rd ANNUAL MEETING
OF SHAREHOLDERS
MONTREAL, QUEBEC
24th APRIL, 1969

Cominco

Cominco Ltd.

Following is a brief report prepared for the benefit of shareholders who were unable to attend the 63rd Annual General Meeting of Shareholders held at Montreal on the 24th April, 1969:

The meeting convened at noon at the Head Office of the Company, 31st Floor, 630 Dorchester Boulevard West, Montreal.

Mr. W. S. Kirkpatrick, Chairman and Chief Executive Officer, presided and the Secretary of the Company acted as Secretary of the meeting.

The Notice calling the meeting having been read by the Secretary, the Chairman stated that 12,873,400 shares were represented by proxy and 18,110 shares represented by shareholders present in person, composing 77% of the total shares outstanding.

The Directors' Report and the consolidated financial statements of the Company and its consolidated subsidiaries for the year ended 31st December, 1968, as mailed to all shareholders, was tabled in accordance with the Canada Corporations Act.

Before proceeding to the election of Directors, the Chairman informed the meeting that in accordance with the Directors' policy regarding the age limitation of Directors, Mr. H. G. Welsford was not eligible for re-election. On behalf of the shareholders, directors and officers, he paid tribute to the keen interest Mr. Welsford had taken in the affairs of the Company and his many contributions to its progress.

The following shareholders were then elected Directors of the Company for a term of two years:

W. J. Bennett
H. C. Bentall
N. R. Crump
R. Hendricks
R. A. MacKimmie, Q.C.
D. R. McMaster, Q.C.
I. D. Sinclair, Q.C.

Messrs. Thorne, Gunn, Helliwell & Christenson, Chartered Accountants of Vancouver, B.C., were appointed auditors for the ensuing year.

On motion duly seconded and carried, the Directors were authorized to fix the remuneration of the auditors.

The Chairman asked the shareholders if they had any questions relating to the Company or the President's address. There being no questions, on motion the meeting terminated.

At a meeting of the Board of Directors held immediately following the shareholders' meeting, Mr. W. S. Kirkpatrick was elected Chairman of the Company, Mr. R. Hendricks, President and Chief Executive Officer and Mr. I. D. Sinclair, Vice-President. Mr. D. D. Morris was elected Executive Vice-President in place of Mr. R. D. Perry, who is retiring as an officer of the Company. The Chairman expressed on behalf of the Board its deep appreciation of Mr. Perry's forty-one years of service with the Company and of his very valuable assistance and advice as one of its senior officers. The Chairman also extended on behalf of the Board its sincere appreciation of Mr. H. G. Welsford's services as a Director for the past twenty-one years.

The following were elected as the Executive Committee for the ensuing year:

W. J. Bennett
N. R. Crump
R. Hendricks
W. S. Kirkpatrick
D. R. McMaster, Q.C.
D. D. Morris
I. D. Sinclair, Q.C.

The Directors confirmed the following appointments:

H. T. Fargey	*Vice-President, Marketing*
G. H. D. Hobbs	*Vice-President, Pacific Region*
S. M. Rothman	*General Manager, Operations*
J. H. Salter	*Vice-President, Operations*

Address to the Shareholders
at the
Annual Meeting, Montreal
April 24th, 1969
by R. Hendricks
President

Copies of the 63rd Annual Report of the Directors of the Company covering the results for the last year were mailed to all shareholders on the 31st of March, and are also available to all present at this meeting.

The year 1968 was one of substantial corporate growth for the Company. As outlined in the Annual Report, total revenue for the year from sales of products and other sources reached an all-time high of $247 million. However, as anticipated, net earnings were down from the previous year, primarily because of increases of $6.3 million in income taxes and $2.4 million in provisions for depreciation and depletion.

Another important factor responsible for the lower net earnings was the substantial reduction in profits from fertilizer sales. Although more fertilizer was sold in 1968 than in any previous year, the operating profits from this important sector of our business decreased by some 40%, mainly due to an overabundance of products in our principal markets.

Turning now to the metals, lead and zinc, we referred at last year's meeting to the expansion of production facilities in various parts of the world. During 1968, substantial growth in custom smelting continued to take place, and in some countries domestic capacity for the production of refined metal now exceeds consumption. This has resulted in severe competition for the Company's refined metals, particularly in Europe and Asia. To counter this new development we have taken a number of steps to improve our market position. For example, we joined with Imperial Smelting Corporation, co-owner with us of Mazak Limited, in acquiring Platt Metals Limited, a United Kingdom zinc alloy firm. This move will strengthen our participation in the British die-casting business. We are currently engaged in improving the technical service we can provide to our U.K. and other European customers.

It is of interest to note that in spite of the prices for lead and zinc in 1968 being slightly lower than in 1967, sales revenue from metal products increased by about 17% over the previous year, reflecting successful sales of the increased production from existing and new mines.

Our production of refined zinc in 1968 of 210,000 tons was slightly higher than in 1967. With improved markets for refined metals and increased supplies of raw materials, production in 1969 is expected to be increased and will shortly approximate an annual rate of 230,000 tons, the highest on record. Production of refined lead at 199,000 tons was the highest since World War II. It is expected to be somewhat higher in 1969, with our production from the Magmont mine estimated at 30,000 tons against 9,000 tons in 1968.

World production and consumption of lead and zinc continues to be in close balance. Following an upward trend in London, lead prices rose in January of this year, from 13¢ to 14¢/lb. in the United States and in Canada from 13½¢ to 14½¢/lb.

A further ½¢ increase occurred in each market in April. Zinc prices were also increased in January in the United States and Canada from 13½¢ to 14¢/lb. With the strengthening of metal prices already experienced this year, it is expected that the revenue from metal products in 1969 will be above the 1968 level.

The markets for most of the Company's minor metals continue strong and prices

are firm. Because of increased industrial demand, the price for cadmium metal rose in the first quarter of 1969 to the highest level in recent years. Silver prices in 1968 were somewhat higher than the previous year but the downward trend in prices which started in the last quarter of 1968, continued in the opening months of 1969 with prices approximating $2.00/oz. This level is expected to persist throughout the year in view of ample supplies of silver made available through demonetization.

Coming now to the chemical and fertilizer side of our business, the supply of most fertilizers in North America greatly exceeds the demand. In Western Canada this situation will soon be further aggravated by the start-up of a new 500,000 ton fertilizer plant in Alberta.

This will raise Western Canadian annual fertilizer production capacity to 2.7 million tons, nearly three times a normal year's consumption. Further, in 1969, consumption is expected to be below normal because of large unsold wheat inventories.

As a result of this situation in the fertilizer industry, the Company curtailed production of fertilizer late in 1968 and output was somewhat below the record level of the previous year. Production in 1969 is expected to remain at about the same level as in 1968 to allow further inventory reductions.

Prices of fertilizers in Canada, the United States and offshore markets are currently at such a low level that the return on the Company's investment, as is the case with most producers, is inadequate. There are, however, some indications that prices may have bottomed out, although it may be some time before they return to a satisfactory level.

It is anticipated that the 1969 return on fertilizers will be substantially below that for 1968. This low return will adversely affect the Company's overall earnings in 1969.

During 1968, labour agreements were negotiated for most of the Company's operations in British Columbia. Early in 1969 agreement was also reached with employees at the Pine Point Mine. Most of these contracts are for a period of two years and no further major agreements are scheduled for negotiation until July 1970. Negotiations by the Western Canada Steel and West Kootenay Power and Light Companies are currently in progress.

As stated in last year's address to the shareholders, the major projects which the Company then had under way were substantially completed in 1968. As a result, the capital expenditures presently planned for projects, in 1969, are expected to be about $34 million, some 40% below the 1968 level. This does not include the Fording Coal project, to which I will refer later.

Notable among the 1968 projects was the Pinchi Lake mercury mine in central British Columbia which was completed below the original capital cost estimates. The market demand for mercury continues to be strong and the total output for the year has been sold. The project is already making a significant contribution to the profits of the Company.

The potash mine and process facilities at Vade, Saskatchewan, came on stream in early March, well ahead of schedule and with no serious start-up problems. The satisfactory completion of this large and complex project is a tribute to our engineers and to all our contractors. In this connection I would particularly like to mention Cementation Canada Limited, Toronto who were responsible for sinking the shafts through the difficult ground conditions; Kilbourne Engineering and Design, Toronto, who designed the surface plant; and Webber Construction, Yorkton, Saskatchewan, general contractors on the site. It is of interest to note that the data processing and computer control built into this plant is the most advanced in the industry.

Current world prices for potash are depressed as a result of overproduction within the industry, and consumption is not expected to balance production until early in the 1970's. Thereafter, we confidently expect this project to contribute substantially and increasingly to the Company's profits.

The extension of the Pine Point concentrator, which was designed to treat ore from the Sphinx mine, the property acquired from the Pyramid Mining Company, was completed well below estimated costs. The concentrator is operating satisfactorily, in excess of its rated capacity, and will largely replace the previous production of

high grade shipping ore from the pits exhausted during 1968. The cost of producing these concentrates is of course substantially higher than that for the high grade ore, and operating profits will be down accordingly.

Development work at the Benson Lake mine on Vancouver Island, which was brought into commercial operation during 1968, is progressing favourably and production from this mine will supply half the feed to the concentrator. In order to achieve greater operating efficiency, and for other economic advantages, an offer has been made to Coast Copper Company Limited for the sale of your Company's assets at Benson Lake mine, for $11,705,000. These include the concentrator now being used to treat Coast Copper ore. The minority shareholders of Coast Copper would share in the advantages of this agreement. Coast Copper Company would have to be recapitalized and we have agreed to subscribe for our proportion of the new shares that will have to be issued.

Our present holding in that company is 83.4% which would be maintained or increased, depending on the degree to which minority shareholders choose to exercise their rights to subscribe to the new issue. Your Company would underwrite any shares not taken up by minority shareholders.

The Magmont lead mine, in Missouri, was completed this month with the installation of the underground crusher. The performance of the concentrator has been most satisfactory, and it is now anticipated that this property will be in full production by mid-year, thus strengthening our participation in the United States lead market. Cominco American Incorporated operates the mine and has a half interest in it.

In view of the public attention being focused on the subject of pollution, I consider it appropriate to review briefly the Company's position in this regard. For over 30 years it has been our policy to exercise constant and careful control over our industrial wastes. As you will see from the picture of the City of Trail in the Annual Report our programme is achieving most satisfactory results. Proper control of industrial waste or landscape disfigurement is a routine consideration with us in the design of new plants.

For example, at our Pinchi Lake mercury mine we incorporated a system which affords excellent control of air and water pollution. However, pollution control is costly. The cost of the system at Pinchi was over 15% of the total capital expenditure of $11 million on the project.

I would now like to refer to our exploration activities which continue to be extensive and for which expenditures in 1969 will be in the order of $10 million.

The most encouraging project at present is that which we are undertaking on the Valley Copper property. This project is referred to in some detail in the Annual Report. Since that report was prepared the major part of the surface drilling program has been completed. The two deepest holes have been drilled to a depth in excess of 1,500 feet.

The potential reserves are now of such a magnitude that deeper drilling at this time is unnecessary. Because of the tonnage potential now indicated, any additions to reserves would not be a factor in determining the optimum initial operation.

A major underground exploration and metallurgical testing program is under way and a feasibility report to determine the economic viability of bringing the property into production should be complete early in 1970.

Because of the B.C. Government's desire to establish a copper smelter in the Province, we have undertaken a comprehensive survey to determine whether a smelter is economical. We have held preliminary talks with government officials and are discussing the matter with other interested parties.

Valley Copper Mines Ltd. was listed on the Vancouver Stock Exchange at the end of February.

The Company holds a 62.8% interest in Exminesa S/A, a Spanish Company, which is investigating several promising mineral occurrences in Spain. Of particular interest is a lead-zinc deposit on which initial drilling has indicated a significant tonnage of ore. A major position is also held in Serpa Mines Ltd., a Portuguese company, with a copper property in Portugal on which initial exploration work has been encouraging.

As mentioned in the Annual Report, exploration work on the lead-zinc deposit in Greenland has been temporarily suspended. Discussions with the Danish Government concerning mining concession terms are still continuing but no agreement has yet been reached on the fundamental issue of taxes and royalties. Accordingly further work will be delayed until these matters are resolved.

Our negotiations in regard to this property serve to highlight the key role of a favourable business climate in a high risk industry such as mining. It helps to explain the industry's deep concern when legislation is proposed that may increase that risk.

Your Company has an important position in Panarctic Oils Ltd. Seismographic work carried out last year in the Canadian Arctic Islands has produced encouraging results. Two rigs are now being assembled on site with drilling to commence momentarily. Two of the first three holes will be on ground acquired by Panarctic under a farmout agreement with your Company and Bankeno Mines Limited. As a result, we have an additional interest in this initial drilling.

As mentioned in the Annual Report, feasibility studies have been undertaken in association with Canadian Pacific Investments, on the production of coal from the Fording River property in British Columbia, which is held by Canadian Pacific Oil and Gas Company. Fording Coal Company Ltd., in which we will hold a 40% interest, has been formed to develop the property. Negotiations for the sale of the coal to the Japanese steel industry are currently taking place. If successfully concluded, construction at the property will commence this summer and production could be anticipated by the latter part of 1971. The Company will enter into a contract with the Fording Coal Company to manage the property.

We continue to be concerned about the possible tax changes which are to be debated in Parliament in the coming months. Precipitous action by the Government in altering the incentives as they now apply to mining could cause irreparable damage to the industry. For instance, any changes in the tax structure which would throw a greater burden on the Canadian mining industry could seriously affect the economic viability of a low grade deposit such as Valley Copper to the point where the very large capital investment required for production would not be warranted.

Cominco is primarily a developer of natural resources with a skilled organization for this purpose. It is our objective to develop resources, specifically mineral resources, principally in Canada but also anywhere else in the world. We do this either alone or in partnership with others. Where we are able to obtain resources by our own efforts we do so, in other cases we purchase them or an interest in them.

We are diversifying in those areas where we have special skills or interests. We recognize that it is to the advantage of Canada, and Cominco, to process the products of our domestic operations in Canada as far as economic and market conditions make it possible; and this is our objective.

In closing I want to emphasize that we see great opportunities opening up in the countries bordering the Pacific Ocean. To capitalize on this trend and reflecting our growing involvement in the West, where our operations have always been centered, we strengthened considerably our organization at Vancouver last year. We also consolidated our various offices there into one building, known as the "Cominco Building".

Unaudited results for the first quarter of 1969 show total revenue of $55.3 million and net earnings of $5.1 million compared to $66.6 million in revenue and $11.6 million in earnings for the same period in 1968. It should be recognized that during the first quarter of last year, the total earnings of Pine Point Mines Limited were tax free and, in addition, there were substantial non-recurring sales of zinc from inventory.

With the increased cost of raw materials for smelter treatment, and higher taxes, together with the continuing problems in fertilizer marketing, it is unlikely that the 1968 level of net earnings can be fully maintained. However, because of higher metal prices, 1969 should be a good year.

(For unaudited Consolidated Statement of Earnings see overleaf.)

Consolidated Statement of Earnings
(subject to year-end audit)

	Three Months Ended March 31, 1969	Three Months Ended March 31, 1968
Sales of products	$53,700,000	$65,100,000
Other revenue	1,600,000	1,500,000
	55,300,000	66,600,000
Earnings before the following items	15,600,000	23,000,000
Add:		
Income from investments	1,000,000	700,000
	16,600,000	23,700,000
Deduct:		
Depreciation and depletion	6,400,000	5,300,000
Income taxes	4,000,000	3,500,000
Minority interest in net earnings of Pine Point	1,100,000	3,300,000
Net Earnings	$ 5,100,000	$11,600,000
Net Earnings per Share	$0.30	$0.70

COMINCO LTD.

Notice of Annual General Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of Cominco Ltd. will be held at the head office of the Company, 31st Floor, 630 Dorchester Boulevard West, in the City of Montreal, in the Province of Quebec, on Thursday, the 24th day of April, 1969, at the hour of 12:00 o'clock noon (Montreal Time) for the following purposes:

1. to receive the report of the directors and the consolidated financial statements of the Company and its consolidated subsidiaries for the fiscal year ended December 31st, 1968, together with the report of the auditors on those statements;
2. to elect directors;
3. to appoint auditors;
4. to authorize the directors to fix the remuneration of the auditors; and
5. to transact such other business as may properly be brought before the meeting or any adjournment thereof.

DATED at Montreal, this 13th day of March, 1969.

By order of the Board,
C. H. B. FRERE, *Secretary*

Note: If you are unable to attend the meeting in person, you are requested to sign and return in the enclosed envelope the enclosed form of proxy at least twenty-four hours before the time fixed for holding the meeting.

Information Circular

Management Solicitation

This information circular is furnished in connection with the solicitation of proxies by the management of Cominco Ltd. (the "Company") for use at the annual general meeting of the shareholders of the Company to be held on Thursday, the 24th day of April, 1969, at 12:00 o'clock noon (Montreal Time) at the place and for the purposes set forth in the accompanying notice of meeting.

Proxies should be deposited at the head office of the Company at least twenty-four hours before the time fixed for calling the meeting. A shareholder executing the enclosed proxy has the power to revoke it at any time prior to its use. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM OTHER THAN THE INDIVIDUALS DESIGNATED IN THE FORM OF PROXY ENCLOSED. IF A SHAREHOLDER WISHES TO DESIGNATE AS HIS NOMINEE SOME PERSON OTHER THAN THE INDIVIDUALS NAMED IN THE FORM OF PROXY, THEIR NAMES SHOULD BE DELETED AND THE NAME OF THE NOMINEE INSERTED THEREIN. The enclosed proxy is solicited by the management of the Company and the cost of solicitation will be borne by the Company. The Company may also reimburse brokers and other persons holding shares in their name, or in the names of nominees, for their services incurred in sending proxy material to principals and obtaining their proxies. Such cost is expected to be nominal and the Company does not expect to pay any compensation for the solicitation of proxies.

It is not intended to use the proxy for the purpose of voting upon the consolidated financial statements of the Company and its consolidated subsidiaries for the fiscal year ended December 31, 1968 and the reports of the directors and auditors thereon, which will be placed before the meeting.

Voting Shares and Principal Holders Thereof

At the date hereof, 16,698,583 common shares without par value of the Company were issued and outstanding as fully paid and non-assessable. Holders of outstanding common shares of record at the time of the annual general meeting will be entitled to one vote per common share at the meeting or any adjournment thereof.

Canadian Pacific Investments Limited is the beneficial owner of record of more than 10% of the outstanding common shares of the Company, owning 8,879,661 shares or 53.18% as at the date hereof.

Election of Directors

At the meeting seven directors are to be elected, each to hold office for a term of two years or until his successor is elected or appointed. IT IS INTENDED THAT THE SHARES REPRESENTED BY PROXIES SOLICITED BY AND ON BEHALF OF THE MANAGEMENT OF THE COMPANY WILL BE VOTED IN FAVOUR OF THE ELECTION OF THE SEVEN PERSONS HEREINAFTER NAMED, each of whom it is proposed to nominate for election as a director. In the event that prior to the annual general meeting any vacancies occur in the slate of nominees hereinafter named, it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not presently aware that any of such nominees would be unwilling to serve as director if elected.

Information concerning Nominees as Directors whose term of office will expire at the Annual General Meeting in 1971

Name	*Principal occupation or employment and position, if any, with the Company*	*Director since*	*Approximate number of equity shares of the Company beneficially owned directly or indirectly*
W. J. Bennett	President, Iron Ore Company of Canada, Montreal	April 1967	100
H. C. Bentall	President, The Dominion Construction Co. Ltd., Vancouver	—	100
N. R. Crump	Chairman and Chief Executive Officer, Canadian Pacific Railway Company, Montreal	April 1956	225
R. Hendricks	President, Cominco Ltd., Montreal	April 1958	500
R. A. MacKimmie, Q.C.	Partner in the law firm of MacKimmie, Matthews, Wood, Phillips & Smith, Calgary	February 1969	25
D. R. McMaster, Q.C.	Partner in the law firm of McMaster, Meighen, Minnion, Patch & Cordeau, Montreal	March 1962	1485
I. D. Sinclair, Q.C.	President, Canadian Pacific Railway Company, Montreal	April 1967	100

Information concerning Directors whose term of office will continue after the meeting and will expire at the next Annual General Meeting

Name	*Principal occupation or employment and position, if any, with the Company*	*Director since*	*Approximate number of common shares of the Company beneficially owned directly or indirectly*
G. H. Baillie	Chairman and President, Metro Centre Developments Ltd., Toronto	April 1966	175
G. A. Hart, M.B.E.	Chairman and Chief Executive Officer, Bank of Montreal, Montreal	December 1958	50
W. S. Kirkpatrick	Chairman and Chief Executive Officer, Cominco Ltd., Montreal	December 1953	1285
D. D. Morris	Vice-President, Operations Cominco Ltd., Montreal	April 1968	604
S. E. Nixon	Executive Vice-President, Dominion Securities Corporation Limited, Montreal	April 1966	100
R. D. Perry	Executive Vice-President, Cominco Ltd., Montreal	April 1958	500
Hon. J. Sinclair, P.C.	Chairman, Lafarge Cement of North America Ltd., Vancouver	April 1966	300

Note: 1. The information as to common shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective Directors individually.

2. Each of the above named persons has been a senior officer of the company or firm indicated for at least five years, except Mr. G. H. Baillie, retired former Vice-President, Canadian Pacific Railway Company.

Remuneration and Benefits to Directors and Officers

In connection with the election of directors, the information tabulated below is given for the last completed financial year ended December 31, 1968, with respect to the remuneration of directors and senior officers of the Company:

(a) Aggregate direct remuneration paid or payable to the directors and senior officers of the Company and its subsidiaries whose financial statements are consolidated with those of the Company — $801,000

(b) Aggregate direct remuneration paid or payable to such directors and senior officers of the subsidiaries of the Company whose financial statements are not consolidated with those of the Company — $ 16,100

(c) Estimated aggregate cost to the Company and its subsidiaries in the Company's last completed financial year, of all annual pension benefits proposed to be paid under any normal pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company or any of its subsidiaries to the directors and senior officers of the Company — $ 31,600

No options have been granted to the above persons to purchase shares of the Company or any of its subsidiaries.

Transactions of Material Interest

The Company and Canadian Pacific Investments Limited have under consideration the joint development of the Fording River coal property in the Crowsnest Pass area of British Columbia, held under licenses by Canadian Pacific Oil and Gas Limited, on the basis of the Company having a 40% interest in the project and Canadian Pacific Investments Limited the remainder.

Appointment and Remuneration of Auditors

At the meeting, the shareholders will be called upon to appoint auditors to hold office until the next annual general meeting of shareholders and to authorize the directors to fix the remuneration of the auditors so appointed.

IT IS THE INTENTION OF THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY TO VOTE THE SHARES REPRESENTED THEREBY FOR THE APPOINTMENT AS AUDITORS OF THE COMPANY OF THE FIRM OF THORNE, GUNN, HELLIWELL & CHRISTENSON, the present auditors (successors to Helliwell, Maclachlan & Co.), who have been the Company's auditors for more than five years.

The shares represented by the enclosed form of proxy will be voted for or against the proposal that the directors be authorized to fix the remuneration of the auditors in accordance with the choice of the holder of such shares as specified in the completed proxy. IF NOT OTHERWISE SPECIFIED BY THE SHAREHOLDER, the shares represented by such proxy will be voted for the said proposal.

General

The shares represented by the proxies will be voted in accordance with the foregoing statements, unless otherwise directed on the proxy forms.

The management knows of no matters which will be presented for action at the meeting, other than the matters referred to in the Notice of Meeting. If, however, other matters should properly come before the meeting, the accompanying proxy will be voted on those matters in accordance with the judgment of the person or persons voting the proxy.

Dated — 13th March, 1969.

64th Annual Report of the Directors

To the Shareholders:

In 1969 the Company's total revenue of $256,000,000 established a new record exceeding the all-time high set in 1968.

Consolidated net earnings for the year were $31,800,000 or $1.91 per share as compared with $34,800,000 (restated) or $2.08 per share in 1968. Dividends declared at $1.40 per share were the same as in 1968. The consolidated financial statements begin on page 11 and a detailed review of activities begins on page 3.

Earnings from metallurgical operations were substantially higher than in the previous year because improved metal prices more than offset a slightly lower volume of sales. A three-year tax exemption effective January 1, 1969 was granted to Pine Point Mines Limited in respect of the profits from its Sphinx mine in the Northwest Territories. A similar exemption effective September 1, 1968 was granted to the Company in connection with its profits from the Pinchi Lake mercury mine at Fort St. James, British Columbia.

The drastic decline in fertilizer revenue caused by oversupply particularly on the Canadian prairies resulted in a loss on fertilizer operations. This, together with the substantial cost of bringing the potash property in Saskatchewan into production, more than offset the improvement in mining and metallurgical earnings. In addition earnings decreased because depreciation and depletion charges relating mainly to new mining operations increased by $5,775,000 to $26,579,000.

Consolidated net capital expenditures at $26,769,000 were less than half those for 1968, reflecting the completion of several large development and construction programs. Working capital at December 31 amounted to $105,900,000, an increase of $8,400,000. This change is accounted for in the statement of source and application of funds included with the financial statements.

The market demand for most of the Company's metallurgical products remained firm throughout the year. In the free world, consumption of refined lead rose by 5% to 3.4 million tons and of refined zinc by 10% to 4.6 million tons. Inventories of both metals declined to minimum levels. The firm demand resulted in increased metal prices.

In 1969, 29% of sales from refined lead and zinc produced by the Company at Trail, B.C. were made in Canada, compared with 25% in 1968. The remainder of the tonnage sold was exported chiefly to the United States and the United Kingdom.

As a developer of natural resources the Company is placing increasing emphasis on mineral exploration. In 1969 over $12,000,000 was spent on world-wide exploration programs with a considerable degree of encouragement as outlined in the Review of Activities.

Major undertakings in which the Company is participating include the investigation of the Valley Copper property in the interior of British Columbia and the activities of Panarctic Oils Limited in the Arctic and Fording Coal Limited in southeastern British Columbia.

At the Annual General Meeting of Shareholders on April 24, Mr. H. Clark Bentall was elected a Director of the Company, replacing Mr. H. G. Welsford, who retired from the Board in accordance with the Board's age limitation policy. The Company is indebted to Mr. Welsford for his capable services as a Director for the past twenty-one years. It is with deep regret that the Directors record the death of Mr. Welsford on August 11, 1969.

At a meeting of the Board of Directors held immediately following the Shareholders' Meeting on April 24, Mr. W. S. Kirkpatrick was elected Chairman of the Company; Mr. R. Hendricks, President and Chief Executive Officer; Mr. I. D. Sinclair, Vice-President; and Mr. D. D. Morris was elected Executive Vice-President in place of Mr. R. D. Perry, who retired from that office. The Chairman conveyed to Mr. Perry the Board's deep appreciation of his forty-one years of service with the Company and of his very valuable assistance and advice as one of its senior officers.

At the same meeting of the Directors, Mr. H. T. Fargey, formerly Vice-President, Sales, was appointed Vice-President, Marketing; Mr. G. H. D. Hobbs, formerly Vice-President at Vancouver, was appointed Vice-President, Pacific Region; Mr. J. H. Salter, formerly Vice-President, Western Region, was appointed Vice-President, Operations and Mr. S. M. Rothman, formerly General Manager, Western Operations, was appointed General Manager, Operations.

The strengths of the Company are threefold — its substantial resource position, its reservoir of technological know how and the men and women who comprise the heart of the corporation. The constructive efforts of the employees throughout the year are appreciated.

On behalf of the Board of Directors

R. Hendricks

President and Chief Executive Officer

W. S. Kirkpatrick

Chairman of the Company

Montreal, Quebec, 12th March, 1970.

Cominco

LEAD AND ZINC ORE PRODUCTION AND RESERVES

Mine	Production 1969		Production 1968		Reserves 1969		Reserves 1968	
	Ore 000 Tons	Lead and Zinc Grade %	Ore 000 Tons	Lead and Zinc Grade %	Ore 000 Tons	Lead and Zinc 000 Tons	Ore 000 Tons	Lead and Zinc 000 Tons
Sullivan	2,158	9.0	2,156	8.0				
Bluebell	231	10.2	252	10.4	67,400	7,400	69,000	7,600
H.B.	Not operated		Not operated					
Pine Point	3,600	10.6	2,138	10.1	41,800	3,600	39,300	3,700
	—	—	353	44.0				
Magmont	593	12.2	128	16.0	14,500	1,300	15,000	1,300

CANADIAN METAL PRICES
(Cents per Pound)

	Lead	Zinc
1968 Average	13.44	13.50
1969 Average	15.16	14.64
December 31, 1969	16.5	15.5

LEAD AND ZINC CONTAINED IN ORE PRODUCED
(Tons)

1968: 581,000

1969: 590,000

Output of Principal Products

Year	Lead Short Tons	Zinc Short Tons	Ores & Concentrates produced for sale Short Tons	Silver Ozs.	Cadmium Short Tons	Fertilizer Short Tons	Iron & Steel Short Tons
1960	158,510	193,875	515	8,690,244	918	713,168	—
1961	171,833	193,138	495	8,816,141	963	696,286	32,049
1962	152,217	199,393	31,919	6,667,813	1,059	714,335	31,441
1963	155,001	194,159	35,849	6,847,606	1,019	708,548	37,678
1964	151,372	199,011	41,296	7,347,590	945	739,080	83,992
1965	186,484	213,082	109,502	6,415,230	359	754,550	180,889
1966	184,871	221,871	268,057	6,609,110	787	965,435	188,099
1967	187,567	202,015	274,649	5,211,761	657	995,974	200,715
1968	199,258	209,994	238,964	6,936,485	701	920,504	220,379
1969	195,822	225,054	330,944	5,705,130	715	798,680	250,148

Review of Activities
(Figures for 1968 in brackets)

Metals

The production of refined zinc established an all-time record of 225,000 (210,000) tons. In spite of the extreme severity of the 1968-69 winter and serious mechanical difficulties in the lead smelting operations at Trail, production of refined lead amounted to 170,000 (190,300) tons. At year end these lead operations had returned to normal. In addition, the Company's share of lead produced from the Magmont mine at Bixby, Missouri was 26,000 (9,000) tons.

Silver produced at the Trail smelter was 5.7 (6.9) million ounces of which 54% (62%) came from Company mines. Gold produced from Company sources, principally the Con mine at Yellowknife, N.W.T. was 52,300 (47,500) ounces. In 1969 the output of gold included production from the Benson Lake mine and Coast Copper Company Limited's mine on Vancouver Island.

Mercury ore from the mine at Pinchi Lake near Fort St. James, B.C. was treated for the first full year. Ore production from open pit and underground sources amounted to 371,000 tons. The production of both cadmium and bismuth at Trail plants was somewhat higher than in the previous year and production of tin concentrates was significantly increased due to improved recoveries. Sales of antimonial lead, cadmium, bismuth, mercury, tin, indium and electronic materials totalled $19.8 ($10.6) million.

The abnormally cold weather in January adversely affected production at the Company's iron and steel operations at Kimberley, B.C. but 63,000 tons of foundry-grade pig iron and 44,000 tons of steel ingot were produced, making a combined total approximately 12% above that of the previous year.

Ores from the Coast Copper and Benson Lake mines that were treated at the Benson Lake concentrator on Vancouver Island produced 15,000 (11,500) tons of copper concentrates and nearly 103,000 (81,000) tons of magnetite concentrates for shipment to Japan.

Chemicals and Fertilizers

Total fertilizer production of 799,000 tons amounted to 86% of that for 1968. Total sales of fertilizer products from all sources amounted to 920,000 tons, or 83% of 1968 sales. The decrease in the Company's sales was due largely to the adverse Canadian prairie wheat situation which seriously affected the cash position of the farmers and to the termination of a 5-year supply contract with Imperial Oil Ltd. when that company commenced manufacturing its own fertilizers. The current excessive supply of fertilizers was aggravated by this additional production and by the 36% drop in consumption in Western Canada from the previous year. However, sales by the Company's Elephant Brand dealers which account for 80% of the Company's fertilizer sales in the total Canadian market showed an encouraging upward trend in percentage participation.

Fertilizer sales in the United States by the Company's wholly-owned subsidiary, Cominco American Incorporated, were also affected by the general oversupply situation and were down slightly from 1968.

The impact of the low prices in 1969 in the North American markets resulted in a considerably lower return per ton of fertilizer than that received at any time in the last twenty years. The volume of offshore sales closely approximated the previous year's level but unsatisfactory prices continued. The overall fertilizer operations resulted in a loss.

In keeping with the general market situation, the cutbacks in fertilizer production which began in late 1968 for inventory control were continued throughout 1969. The natural gas ammonia and the ammonium nitrate plants at Trail operated at full rate for only half of the year. The Kimberley fertilizer plants also operated at somewhat reduced rates. Sales of chemicals for industrial purposes at 154,000 tons for which satisfactory prices were received represented an increase of 24% over the previous year.

The Company's policy of strict environmental control necessitates the operation of the chemical and fertilizer plants at Trail and Kimberley at a rate that is sufficient to absorb the sulphur produced by the metallurgical plants.

The Company's new potash plant at Vade, Saskatchewan was completed and production started in March. Progress is being made in eliminating the delays in mine development and the equipment start-up problems that are associated with a plant of this type. Market prices for potash deteriorated through the year as the world oversupply situation worsened, resulting in a substantial loss. At year end the Saskatchewan Government enacted regulations establishing a pro-rationing program for potash production and a floor price well above 1969 price levels. This program should help to restore balance between world supply and demand. Its effect may not be immediate but improvement in the market situation is anticipated in the latter half of 1970. This would have a favourable effect on earnings.

Exploration

Although the search for new ore bodies continued to be centred primarily in Canada significant programs were also undertaken in Australia, Mexico, Portugal, Southwest Africa, Spain, and the United States. In Canada exploration expenditures were increased substantially at the Valley Copper mine in British Columbia and an extensive underground program to provide more precise data on ore grades and metallurgy proceeded satisfactorily. Results although not complete have been sufficiently encouraging to warrant implementation of an overall feasibility study. A decision regarding production will be made by mid-1970 when this study is completed.

In Spain continued drilling by the subsidiary company Exploracion Minera Internacional (Espana) S.A. at the Rubiales property has indicated the presence of a medium grade lead-zinc deposit. Plans have been made to proceed with an extensive underground exploration program.

Greenex A/S, a Danish corporation controlled through Cominco's Canadian subsidiary, Vestgron Mines Limited continued negotiations with the Danish Government regarding terms of a mineral utilization concession covering a lead-zinc prospect on the West coast of Greenland. It is hoped that the terms will be arranged in 1970.

The Company is participating with The Anaconda Company in the development of the Anaconda-Caribou property near Bathurst, New Brunswick. Construction of a 1,000-ton per day plant under Anaconda management to treat a

Gypsum waste from Kimberley fertilizer operations is impounded in this pond to overcome a pollution problem.

Gardeners at Cominco's chemical and fertilizer operations at Trail, B.C. take pride in their lawns and flowers.

The Magmont lead mine and concentrator at Bixby, Missouri, operated by Cominco American Incorporated was officially opened in September, 1969.

relatively small deposit of copper ore is proceeding, with production scheduled in 1970. Concurrently the feasibility of bringing into production a much larger primary lead-zinc-silver deposit on the property is under active investigation. Cominco holds a 25% interest in this project.

Panarctic Oils Limited in which the Company has a 9% interest encountered substantial flows of natural gas in two horizons in the first well drilled on Northeast Melville Island. Although natural gas is not of great economic importance in the Arctic at present its discovery in the early stages of an oil drilling program is significant.

Preliminary exploration on a number of other mineral properties both in Canada and abroad has been encouraging and further work including diamond drilling is proceeding on several properties. Total expenditures on exploration in 1969 amounted to $12.0 ($6.3) million.

Research

Research activity has been concentrated on those processes and products which will improve the Company's competitive position. Major attention was again given to the development of new and better mineral treatment methods and to metallurgical and chemical processes for current products and for use in areas of potential diversification. An entirely new lead smelting process was under active review as was a pollution-free copper metal extraction process with both studies indicating significant potentials.

The Product Research Centre at Sheridan Park, Ontario made satisfactory progress in developing new lead and zinc products. Three of these now in or nearing commercial production are: SHEALD sound-conditioning lead sheet; DECRALOY iridescent colored zinc coating being specified for an increasing number of specialty applications; and Zinc Forgings with their wide variety of new and replacement uses.

The introduction of special new ultra high purity metal products used extensively in the electronic industry has been particularly gratifying and significant future growth in sales is anticipated.

The Company continues to participate actively in industry-wide organizations designed to promote the use of lead and zinc. A substantial part of the Research budget is devoted to the support of the International Lead Zinc Research Organization. One of this Organization's projects last year which caused great interest in the automotive design field is the Zn75 automobile which demonstrates potential uses of lead and zinc. This car contains a wide selection of zinc components developed and produced by the Company.

New developments

Effective July 1, 1969 the Company sold its Benson Lake mine and surface facilities on northern Vancouver Island to its subsidiary Coast Copper Company, Limited. As a result of taking up additional shares issued by Coast Copper for the acquisition, the Company increased its ownership of Coast Copper shares from 83% to 94.7%. It continues to manage the Coast Copper mines and production facilities.

A program of modernization and expansion of zinc production facilities at Trail was commenced in 1969. The revision of the melting and leaching sections was well along by the year end and replacement of the existing zinc roasters by modern units was in the active planning stage.

The sinking of an underground shaft below the existing deepest level of the Con mine at Yellowknife, N.W.T., was commenced in 1969 and at year end was half completed. From this shaft three new and additional levels will be developed to investigate favourable ore potential at greater depth.

The Company entered into a management contract with Fording Coal Limited in which it has a 40% interest, to develop and operate Fording's coal mining and processing facilities in the Crowsnest Pass area of British Columbia. Fording holds coal licenses on good quality coking coal deposits and has a contract with Japanese interests for the sale of 45 million tons of coal over a 15-year period. Included in the early work designed to place the project in operation by early 1972, is a major study of the ecology of the area and its relation to the rehabilitation of land which will be disturbed by the mining program.

In keeping with the Company's long-term policy of rigid environmental control, monitoring of effluents from industrial processes at all Company operations as well as close observation of employees working under varying conditions continued to be the concern of the Company's specialist groups. This work is being carried on in close co-operation with appropriate government personnel or within guidelines established by government departments. As a tribute to the effectiveness of one phase of the program the Company received the Water Protection Award of the Pacific Northwest Pollution Control Association for the installation of its gypsum disposal system at Kimberley, B.C.

Power

Net energy generated in the Company's plants on the Kootenay and Pend-d'Oreille Rivers near Trail, B.C. totalled 4.1 billion KWH, an increase of 5.8% over 1968. Exceptionally high water flows in the January-April period permitted the sale under an export license granted in December, 1968 of substantial blocks of surplus power to the Bonneville Power Administration in the United States. The use of power at the Company's operations and sales to the West Kootenay Power and Light Company, Limited were increased. Capability studies of the proposed Canal Power Plant on the Kootenay River were undertaken jointly with the B.C. Hydro and Power Authority.

Personnel

The total number of employees of the Company and its subsidiaries at year end was 10,105, an increase of 666 over 1968. This was largely due to the start-up of the potash operations in Saskatchewan, the expansion of operations at Pine Point, N.W.T. and to additional employees required on a year-round basis to provide adequate vacation relief at all operations. Labour supply was erratic owing to the high level of industrial activity in British Columbia and rapid turnover at remote mining operations. On-the-job training activities were significantly expanded during the

year with plans completed for the introduction of formal apprenticeship training programs at Pine Point and Con mines and at Calgary early in 1970. The Company is working closely with Canada Manpower in the development of on-the-job training courses. The Company was able to fill its requirements for professional staff.

Collective agreements covering hourly-paid employees were renewed at several operations but at the Company's principal operations in British Columbia union agreements with the United Steelworkers of America, which became effective July 1, 1968 will expire June 30, 1970.

During the year 134 employees retired from active service and at the year end there were 1,675 former employees and widows receiving retirement benefits. It is worthy of note that 75 employees were presented with gold medals in 1969, recognizing the achievement of 40 years of service.

Subsidiaries included in consolidation

Pine Point Mines Limited

Net earnings for the year were $17.9 ($21.0) million. The drop in net earnings resulted principally from the cessation of high grade shipping ore with a consequent increase in unit costs, increased depreciation and depletion charges which commenced with the operation of the Sphinx mine and increased transportation charges. Sales of all products net of delivery expenses amounted to $42.9 ($38.9) million. Although the tonnage of metal contained in the concentrates sold was approximately the same as in 1968, the higher prices received account for the increase in sales revenue.

A major addition to the Pine Point concentrator which was completed in December, 1968 for processing ore from the Sphinx mine, came into full production early in the year and operated very satisfactorily. This mine was acquired in 1966 from Pyramid Mining Co. Ltd. (N.P.L.). In addition to substantial tonnages of products sold to Cominco, 68,200 tons of lead concentrates and 193,100 tons of zinc concentrates were sold to other smelters in Canada, United States, Europe, India and Japan. During the year a unique agreement covering a cooperative training program for local residents was entered into by the company, the Territorial government, the Federal government and the local Union.

Cominco American Incorporated

Total sales by Cominco American net of delivery expenses amounted to $45.3 U.S. ($42.4 U.S.) million.

Phosphate rock sales from the Brock mine near Garrison, Montana, were less than those of the previous year and the suspension of operations at the Douglas mine continued throughout the year.

Metals produced from the Magmont lead mine near Bixby, Missouri in which Cominco American has a one-half share, contributed substantially to an overall sales and revenue increase for the year. The Magmont operation was brought into production in mid-1968 and operated satisfactorily throughout 1969.

Sales revenue from fertilizer products was down somewhat compared to 1968, owing to the continued oversupply and depressed fertilizer prices in the United States.

The Homestead ammonium nitrate plant near Beatrice, Nebraska operated at 90% capacity during 1969. Although the plant of Hill Chemicals, Inc. at Borger, Texas has consistently operated well over rated capacity, it was shut down for 81 days for inventory control. Cominco American has a 50% ownership in this plant.

Electronic material sales showed continued strength throughout the year, exceeding sales of the previous year. Fabricating facilities are located at Spokane, Washington.

Western Canada Steel Limited

Sales of products amounted to $24 ($20) million. Continued improvement in production efficiency during the year enabled the Company to take advantage of sharply improved market conditions in the second half of 1969. The plants in Vancouver and Calgary operated close to capacity, as did those of the 50%-owned associated company Hawaiian Western Steel Limited in Honolulu, with improved contribution to earnings.

National Hardware Specialties Limited

Sales of National Hardware and its 98%-owned subsidiary Schultz Die Casting Company of Canada Limited were satisfactory and little changed from the previous year.

Following the fire at Dresden, Ontario in October, 1968 the plant was rebuilt and increased 42% in size. The redesign is such that it can be further expanded with minimum disruption to production schedules. The fire-damaged machinery has been replaced and new equipment of the latest automatic type has been installed, making the plant one of the most modern in Canada. The new facilities were in operation by the end of 1969 and the plants were profitable.

Coast Copper Company Limited

Sales, including the market value of products on hand, amounted to $4.2 ($3.6) million. The company's accounts were consolidated with those of Cominco from mid-year.

This company with the acquisition previously referred to owns two copper mines, a concentrator and surface facilities on northern Vancouver Island which are operated under management contract by Cominco. The ore treated at the concentrator in 1969 totalled 281,000 tons grading 1.47% copper (268,000 tons grading 1.31% copper).

Unconsolidated subsidiary companies

West Kootenay Power and Light Company, Limited

The company owns and operates a hydroelectric power plant on the Kootenay River and a distribution system providing public utility service in southern British Columbia. Total sales of firm energy at 734 million KWH were up significantly from the 1968 sales of 671 million KWH.

The company also operates Cominco's hydroelectric plants in British Columbia under a management contract. Labour negotiations were successfully completed during the year. Dividends amounting to $589,000 were paid to Cominco in 1969, the same as in 1968.

Pacific Coast Terminals Co. Ltd.

The general cargo docks of this company at New Westminster, B.C. and the bulk-loading facilities of its 72%-

R. Hendricks, President and Chief Executive Officer, after receiving a 40-year service gold medal, presents a special gold medal to T. Weir in recognition of 50-years' service.

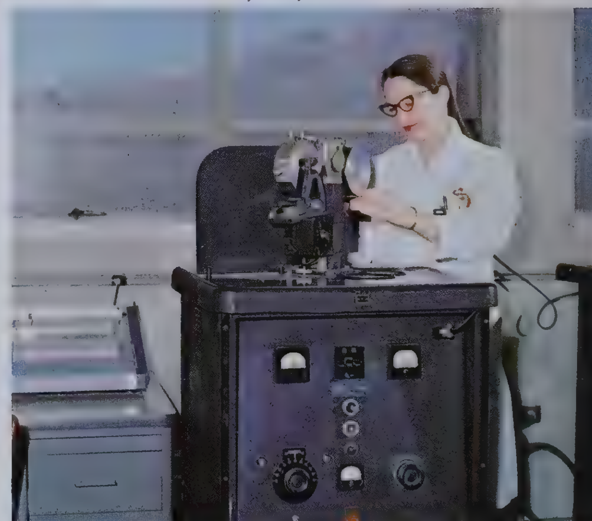
A soccer field adjacent to metal production plants at Trail.

Banquet at which 75 employees were presented with 40-year service gold medals.

Operator checking flotation cell at Pine Point mill.

Geological investigations at Pine Point provide continuing information for planning pit development and ore production.

Mineral identification by X-ray diffraction — Technical Research Centre, Trail, B.C.



Diamond drilling at the Rubiales property in Spain.

owned subsidiary at Port Moody, B.C. experienced a moderate drop in tonnage, in part because of a six-weeks' waterfront strike in the second half of the year. Material handled through both facilities totalled 2.7 (2.9) million tons. Cominco received no dividends in 1969 because the company's cash flow was applied to reduce bank loans to the extent possible. Dividends received in 1968 were $144,000.

Rycon Mines Limited

Cominco mines and treats the gold ore from this property in conjunction with the adjoining Con mine. In 1969, 81,000 (73,500) tons of ore were mined containing 0.73 (0.81) oz. gold per ton. Dividends paid to Cominco in 1969 amounted to $360,000 ($447,000).

Cominco-Gardner GmbH

This company markets Cominco's metals and trades in other metals in continental Europe. Activities during 1969 were at a satisfactory level and resulted in a marked increase in sales for the year.

Cominco-Gardner Limited

This company, which sells Cominco and Tadanac Brand metals in the United Kingdom and trades in other metals, experienced a successful year. The company is continuing to broaden its scope in the metal field. During 1969, market development work in the United Kingdom was intensified with encouraging results.

Affiliated companies

The Canada Metal Company Limited

Canada Metal operates units in most major Canadian cities for the manufacture of non-ferrous products and alloys. It also produces bronze bars and bearings and zinc and brass forgings. Operations during 1969 were very satisfactory and Cominco received a dividend of $700,000 ($340,000) which included an extra dividend declared in 1968.

Cominco Binani Zinc Limited

This company produced 14,600 (11,400) tons of refined zinc and 23,600 (17,300) tons of sulphuric acid at its plant in the State of Kerala, India. Following completion of the new recovery facility in October, 37,000 pounds of cadmium were produced.

By year end a substantial increase in production rate had been attained, resulting in a much improved financial position. No dividends were paid.

Mazak Limited

Mazak Limited manufactures and markets zinc diecasting alloys under the trade name MAZAK in the United Kingdom and other markets, using substantial quantities of Cominco's metal.

The company operated satisfactorily during 1969 with sales showing an increase over the previous year. It is actively engaged in a market development program designed to combat inroads of competitive materials into traditional zinc alloy uses and to secure new uses for zinc alloys in the domestic hardware and appliance markets.

Mitsubishi Cominco Smelting Company Limited

The Mitsubishi Cominco lead smelter at Naoshima, Japan operated at rated capacity throughout the year, producing 33,600 (33,500) tons of refined lead entirely from concentrates purchased from Pine Point Mines Limited. The changes in marketing forecast in the 1968 Annual Report were put into effect and this operation is now making a modest profit.

Principal Active Subsidiary and Affiliated Companies

SUBSIDIARIES INCLUDED IN CONSOLIDATION

	% owned		Head Office
Pine Point Mines Limited	69%	D. D. Morris, *President*	Trail, British Columbia
Coast Copper Company, Limited	95%	J. H. Salter, *President*	Trail, British Columbia
Cominco American Incorporated	100%	J. C. MacLean, *President*	W. 818 Riverside Avenue, Spokane, Washington 99201 U.S.A.
Western Canada Steel Limited	100%	M. C. D. Hobbs, *President*	450 S.E. Marine Drive, Vancouver 15, British Columbia
National Hardware Specialties Limited	100%	D. G. McGorman, *President*	Dresden, Ontario (P.O. Box 250)
Cominco Exploration Pty. Ltd.	100%	J. K. Connor, *Secretary*	22 Bridge Street, Sydney, Australia

UNCONSOLIDATED SUBSIDIARY COMPANIES

West Kootenay Power and Light Company, Limited	100% Common 24% Preferred	W. K. Gwyer, *President*	1335 Cedar Avenue, Trail, British Columbia
Pacific Coast Terminals Co. Ltd.	74%	E. A. Mitchell, *President*	New Westminster, British Columbia (P.O. Box 697)
Rycon Mines Limited	76%*	R. P. Douglas, *President*	Yellowknife, N.W.T.
Vestgron Mines Limited	64%	R. J. Armstrong, *President*	Trail, British Columbia
Exploracion Minera Internacional (Espana) S.A.	63%	R. Sanchez Jimenez, *Chairman*	85 Goya, Madrid, Spain
Cominco-Gardner Limited	52%	D. M. Silver, *Managing Director*	4 Coleman Street, London, E.C.2, England
Cominco-Gardner GmbH	50.03%*	Hans von Mejer, *Managing Director*	Corneliusstrasse 36, Dusseldorf, West Germany
Valley Copper Mines Limited (N.P.L.)	66%**	R. J. Armstrong, *President*	Trail, British Columbia

*Direct and indirect holdings

**Dec. 31, 1969

AFFILIATED COMPANIES

Cominco Binani Zinc Limited	40%	G. Binani, *Chairman*	38 Strand Road Calcutta 1, India
Mitsubishi Cominco Smelting Company Limited	45%	Takuhei Oishi, *President*	6, 1-chome, Ohte-machi, Chiyodaku, Tokyo, Japan
Mazak Limited	50%	G. P. Holloway, *Managing Director*	1 Redcliff Street Bristol 1, England (P.O. Box 19)
The Canada Metal Company Limited	50%	Carleton Smith, *President*	721 Eastern Avenue Toronto 8, Ontario

Consolidated Statement of Earnings Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968 (*Restated-Note 2)
Sales of products	**$250,617,000**	$241,255,000
Other revenue	**5,662,000**	5,521,000
	256,279,000	246,776,000
Costs and expenses:		
Inventory of raw materials and products at beginning of year	**38,284,000**	45,902,000
Production, selling and general expenses	**159,160,000**	138,869,000
Materials purchased for processing or resale	**34,041,000**	24,147,000
Interest on long-term debt	**3,650,000**	3,701,000
	235,135,000	212,619,000
Deduct inventory of raw materials and products at end of year	**45,295,000**	38,284,000
	189,840,000	174,335,000
	66,439,000	72,441,000
Add:		
Dividends from unconsolidated subsidiary companies (Note 5)	**1,089,000**	1,583,000
Income from other investments	**3,689,000**	3,548,000
	4,778,000	5,131,000
Deduct:		
Depreciation (Note 6)	**21,699,000**	18,678,000
Depletion	**4,880,000**	2,126,000
Income taxes, including $3,956,000 (1968 — $7,844,000) not currently payable	**12,000,000**	16,400,000
Minority interest in net earnings of Coast Copper Company, Limited (1969 only) and Pine Point Mines Limited	**5,326,000**	8,100,000
	43,905,000	45,304,000
Earnings before extraordinary items (per share $1.64; 1968 — $1.93)	**27,312,000**	32,268,000
Extraordinary items:		
Gain on sale of property and investments	**3,113,000**	2,500,000 *
Reduction in income taxes of a consolidated subsidiary, resulting from losses and tax credits of prior years	**1,413,000**	—
Net earnings	**$ 31,838,000**	$ 34,768,000 *
Net earnings per share	**$1.91**	$2.08 *

Consolidated Statement of Retained Earnings Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968 (*Restated-Note 2)
Amount at beginning of year	**$268,920,000**	$257,514,000
Net earnings	**31,838,000**	34,768,000 *
	300,758,000	292,282,000
Dividends — $1.40 per share	**23,376,000**	23,362,000
Amount at end of year	**$277,382,000**	$268,920,000

Consolidated Balance Sheet at December 31, 1969

(with comparative figures for 1968)

Assets	**1969**		1968	
Current Assets:				
Cash	**$ 5,871,000**		$ 4,567,000	
Notes (including $825,000 issued by affiliated company), loans and other short-term investment contracts, at cost	**15,745,000**		24,621,000	
Government and municipal bonds, at cost (quoted market value $96,900)	**111,000**		197,000	
Accounts receivable:				
Trade	**51,982,000**		43,882,000	
Unconsolidated marketing subsidiaries	**9,289,000**		8,170,000	
Other unconsolidated subsidiaries	**2,146,000**		2,149,000	
Prepaid charges	**4,299,000**		3,492,000	
Inventories (Note 4)	**58,135,000**	**$147,578,000**	50,095,000	$137,173,000
Investments and Sundry Assets:				
Investments (Note 5)	**48,837,000**		43,395,000	
Deferred charges	**2,210,000**		2,895,000	
Sundry loans and accounts receivable	**4,128,000**	**55,175,000**	4,486,000	50,776,000
Fixed Assets:				
Land, buildings and equipment, at cost less fully depreciated items written off and amounts realized on sales	**301,798,000**		288,087,000	
Less accumulated depreciation (Note 6)	**99,262,000**		80,186,000	
	202,536,000		207,901,000	
Mining properties and development, at cost less amounts written off	**65,092,000**		58,534,000	
Less accumulated depletion	**18,149,000**		10,807,000	
	46,943,000	**249,479,000**	47,727,000	255,628,000
		$452,232,000		$443,577,000

Liabilities and Shareholders' Equity	1969		1968	
Current Liabilities:				
Bank loans	$ 7,274,000		$ 10,696,000	
Accounts payable and accrued expenses	29,756,000		24,818,000	
Payments received in advance on sales contracts	117,000		498,000	
Income taxes less current portion of special refundable taxes recoverable	2,711,000		2,640,000	
Portion of long-term debt due within one year	1,803,000	$ 41,661,000	1,056,000	$ 39,708,000
Long-term Debt (Note 7)		56,810,000		58,412,000
Minority Interest in Coast Copper Company, Limited and Pine Point Mines Limited		22,533,000		22,034,000
Deferred Income Taxes		28,844,000		29,501,000
Shareholders' Equity:				
Capital				
Authorized — 20,000,000 shares of no par value; issued and fully paid — 16,698,583 shares	25,002,000		25,002,000	
Retained earnings	277,382,000	302,384,000	268,920,000	293,922,000
		$452,232,000		$443,577,000

Approved on behalf of the Board:

W. S. Kirkpatrick }
R. Hendricks } Directors

Consolidated Statement of Source and Application of Funds Year ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Source of Funds:		
Operations		
Earnings for year, before extraordinary items	**$ 27,312,000**	$ 32,268,000
Add items not involving a current outlay of funds:		
Depreciation	**21,699,000**	18,678,000
Depletion	**4,880,000**	2,126,000
Income taxes not currently payable	**3,956,000**	7,844,000
	57,847,000	60,916,000
Proceeds from sale of property and investments	**3,813,000**	800,000
Increase in minority interest in consolidated subsidiaries	**6,000**	1,824,000
Working capital of Coast Copper Company, Limited added on consolidation	**1,390,000**	—
Other	**342,000**	1,544,000
	63,398,000	65,084,000
Application of Funds:		
Capital expenditures:		
Investments	**6,992,000**	2,992,000
Land, buildings and equipment	**16,199,000**	49,275,000
Mining properties and development	**3,578,000**	4,123,000
Reduction in long-term borrowings, net	**1,601,000**	1,056,000
Payment of income taxes previously deferred	**3,200,000**	—
Dividends	**23,376,000**	23,362,000
	54,946,000	80,808,000
Increase (decrease) in working capital	**8,452,000**	(15,724,000)
Working capital at beginning of year	**97,465,000**	113,189,000
Working capital at end of year	**$105,917,000**	$ 97,465,000

Notes to Financial Statements

1. Basis of Consolidation

The financial statements of Cominco Ltd. are presented in consolidation with those of (1) all subsidiaries in which it holds all the shares, (2) Pine Point Mines Limited, a 69.12% owned subsidiary, and (3) from June 30, 1969, Coast Copper Company, Limited. Other subsidiaries have not been included in the consolidation because they have different businesses from those of Cominco, or they have relatively limited economic life, or their inclusion would not significantly affect earnings. The figures for Coast Copper, a company which previously had a very limited economic life, have been brought into the consolidation because Cominco sold its continuing Benson Lake mine and facilities to Coast Copper, taking shares in consideration and thereby increasing its ownership in that company from 83.4% to 94.7%. The fact that the figures for 1968 in the consolidated financial statements do not include those for Coast Copper does not significantly affect comparison with the figures for 1969.

Current assets and liabilities in foreign currencies are converted at exchange rates applying at balance sheet dates; non-current assets and liabilities in foreign currencies are converted on various appropriate bases.

2. Change in Accounting Practice

Before 1969 Cominco treated extraordinary gains and charges as adjustments to retained earnings. Commencing in 1969, and conforming with recommendations of the Canadian Institute of Chartered Accountants on the subject, such items are included in net earnings and in the financial statements the figures for 1968 reported to the shareholders a year ago have been restated to be comparable.

3. Directors' Remuneration

Production, selling and general expenses include remuneration of $420,000 (1968 — $421,000) to directors, including amounts to directors who are also officers.

4. Inventories

	1969	1968
Raw materials and products	**$45,295,000**	$38,284,000
Stores and materials	**12,840,000**	11,811,000
	$58,135,000	$50,095,000

Raw materials and products are valued at the lower of cost (determined generally on the monthly average method) and realizable value, with the exception of the products of Coast Copper Company, Limited which, following that company's long established practice, are at realizable value.

Stores and materials are valued at cost less appropriate allowances for obsolescence.

5. Investments

Particulars of investments are as follows:

	1969	1968
Unconsolidated subsidiary companies		
Shares, at cost	**$20,278,000**	$18,896,000
Advances	**4,574,000**	2,544,000
50% owned companies		
Shares, at cost	**12,745,000**	12,745,000
Debentures, at cost, and advances	**5,479,000**	5,479,000
Other companies		
Shares, at cost less amounts written off and amounts realized on sales		
Having a quoted market value (quoted market value $699,000)	**1,071,000**	1,752,000
Having no quoted market value	**7,007,000**	4,616,000
Income debentures (quoted market value $950,000)	**1,000,000**	1,000,000
Debentures, at cost (no quoted market value) and advances	**3,140,000**	2,791,000
	55,294,000	49,823,000
Less: accumulated provision for depletion of mineral investments	**6,457,000**	6,428,000
	$48,837,000	$43,395,000

Cominco's equity in the aggregate net earnings of unconsolidated subsidiary companies amounted to $771,000 for 1969, compared with dividends of $1,089,000 received from them. Cominco has not taken into these financial statements its equity of $1,948,000 in undistributed earnings (net of losses) of unconsolidated subsidiaries.

Cominco's share of the loss of one 50% owned company for 1969 (the first year of operation), net of its equity in the earnings of the other 50% owned companies, amounted to $457,000 (1968 — $662,000 earnings, net); dividends of $803,000 were received from 50% owned companies in 1969 (1968 — $548,000). Cominco has not taken into these financial statements the amount ($520,000) by which its portion of the loss of the one company exceeds its equity in the undistributed earnings of the other companies.

6. Depreciation

The companies compute depreciation on each year's net plant expenditures (including land, a minor part thereof) evenly over a period of years until those expenditures have been fully depreciated. At that time, the practice generally is to write off the recorded cost against the depreciation accumulation, so that only costs not yet fully depreciated are carried on the balance sheet. Cominco expenditures are depreciated over thirteen years except for the potash project, which is depreciated over twenty years. The original facilities of Pine Point Mines Limited are being depreciated over ten years and the new mining and concentration facilities for production from the Sphinx Mine over eleven years.

7. Long-Term Debt

	1969	1968
Cominco Ltd.:		
6¼% Notes payable to an affiliated company, due May 1, 1972	**$20,000,000**	$20,000,000
6½% Series "A" Notes due May 15, 1972	**20,000,000**	20,000,000
Housing mortgages	**126,000**	130,000
Cominco American Incorporated:		
5⅛% Mortgage notes ($8,400,000 U.S.), maturing $800,000 annually	**8,993,000**	9,867,000
6¾% Promissory notes ($7,500,000 U.S.), maturing $700,000 annually commencing January 1, 1970	**8,029,000**	8,044,000
National Hardware Specialties Limited:		
Ontario Development Corporation loan	**234,000**	—
Pine Point Mines Limited:		
Housing mortgages	**201,000**	207,000
Western Canada Steel Limited:		
First mortgage sinking fund bonds:		
Series "A", 5% due January 2, 1972	**100,000**	150,000
Series "B", 6% due January 1, 1972	**130,000**	170,000
Series "C", 6½% due July 2, 1977 (annual sinking fund payment $100,000)	**800,000**	900,000
	58,613,000	59,468,000
Less: portion due within one year, shown as a current liability	**1,803,000**	1,056,000
	$56,810,000	$58,412,000

8. Commitments and Contingent Liabilities

Sundry guarantees, commitments and claims at December 31, 1969 are estimated at $5,400,000.

In connection with the financing of Hill Chemicals, Inc., in which it has a 50% interest, Cominco American Incorporated has undertaken to buy ammonia from that company at a fixed price, resulting in a commitment of $4,500,000 U.S. a year until 1983. Cominco has undertaken to invest $5,400,000 for a 40% equity in Fording Coal Limited and to guarantee up to an amount of $24,000,000 U.S. a bank loan to that company.

9. Pensions

At December 31, 1969 marketable investments with a current value of approximately $42,124,000 and mortgages with a face value of approximately $6,096,000 were held by trustees under Cominco's pension arrangements. Actuarial estimates of these arrangements made to September 1, 1968 indicate an unfunded cost of $10,200,000 for past service at that date; approximately $5,300,000 is being funded over 23 years starting in 1968. The cost of current service is being met currently. To keep these funding costs at realistic levels, the retirement income plan for Cominco salaried employees was revised to relate retirement benefits to final salary in the twelve months ending December 31, 1975 or on retirement, whichever first occurs, with the intention that the 1975 date will be extended periodically. In the view of the actuaries and of the fund managers the payments which are being made achieve adequate funding of retirement benefits and meet statutory funding requirements which apply to a registered pension plan included in the arrangements.

The consolidated earnings of Cominco have been charged with provisions which reflect the actuarial estimates of the expense related to both past and current service.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Cominco Ltd. and subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in treatment of extraordinary items explained in Note 2 to the financial statements, with which change we concur.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

Vancouver, B.C., February 20, 1970

Consolidated Ten-Year Summary

(all dollar amounts in millions, except per share figures)

Earnings	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
		(Restated)								
Sales of all products	**$250.6**	$241.3	$217.0	$224.6	$211.2	$170.0	$140.3	$131.1	$124.4	$115.6
Other revenue	**5.7**	5.5	4.5	4.2	4.5	4.3	3.5	2.8	2.4	1.6
Cost of sales	**189.9**	174.3	149.2	145.2	127.9	104.1	91.0	89.7	85.4	74.5
Earnings from operations	**66.4**	72.5	72.3	83.6	87.8	70.2	52.8	44.2	41.4	42.7
Income from investments	**4.8**	5.1	4.7	4.6	6.9	5.1	4.8	3.8	4.3	4.2
Provisions for depreciation and depletion	**26.6**	20.8	18.4	15.7	14.7	11.7	10.9	10.4	10.3	9.7
Provision for income taxes	**12.0**	16.4	10.1	14.6	22.9	24.1	16.9	14.4	14.0	13.7
Minority interest in net earnings of Pine Point Mines Limited and Coast Copper Company, Limited	**5.3**	8.1	10.1	8.7	4.1	(.1)	—	—	—	—
Extraordinary items†	**4.5**	2.5	—	—	—	—	—	—	—	—
Net earnings	**31.8**	34.8	38.5	49.2	53.0	39.6	29.8	23.2	21.4	23.5
Net earnings per share	**1.91**	2.08	2.31	2.95	3.18	2.37	1.82	1.42	1.31	1.43
Dividends declared	**23.4**	23.4	25.0	30.0	30.0	26.5	21.3	18.0	16.4	16.4
Dividends declared per share	**1.40**	1.40	1.50	1.80	1.80	1.60	1.30	1.10	1.00	1.00
Retained earnings for the year	**8.5**	11.4	13.5	19.2	23.0	13.1	8.5	5.2	5.0	7.1
Financial position										
Cash and marketable securities	**$ 21.7**	$ 29.4	$ 46.1	$ 26.9	$ 35.1	$ 64.8	$ 72.4	$ 71.9	$ 63.3	$ 65.7
Inventories of raw materials and products	**45.3**	38.3	45.9	43.9	40.1	32.5	26.7	27.8	30.4	30.9
Working capital	**105.9**	97.5	113.2	86.2	79.4	97.3	101.1	103.1	100.1	96.1
Investments and sundry assets	**55.2**	50.8	47.1	35.0	29.8	13.0	18.9	12.3	11.6	10.9
Fixed assets — net	**249.5**	255.6	222.8	193.6	146.1	112.1	73.9	68.7	67.1	66.7
Total assets	**452.2**	443.6	429.7	356.1	299.5	261.7	226.0	212.8	204.4	199.8
Long-term debt	**56.8**	58.4	59.5	14.3	11.7	6.5	—	—	—	—
Minority interest in Pine Point Mines Limited and Coast Copper Company, Limited	**22.5**	22.0	20.2	17.2	4.6	0.6	—	—	—	—
Deferred income taxes	**28.8**	29.5	21.3	16.4	6.1	5.5	1.5	—	—	—
Shareholders' equity	**302.4**	293.9	282.2	266.8	232.9	209.9	192.5	184.0	178.8	173.7
Other statistics										
Capital expenditures	**$ 26.8**	$ 56.4	$ 58.8	$ 66.0	$ 64.4	$ 38.0	$ 22.7	$ 13.1	$ 10.9	$ 16.5
Number of shares outstanding at year-end	**16,698,583**	16,698,583	16,688,155	16,688,155	16,688,155	16,688,155	16,381,645	16,381,645	16,381,645	16,381,645
Number of shareholders at year-end	**39,406***	41,742	43,198	43,232	39,066	35,712	35,218	35,805	34,234	35,007
Number of employees at year-end including subsidiaries	**10,105**	9,439	9,896	10,145	9,965	9,714	8,356	8,073	8,103	7,437

*94.0% of the shareholders were Canadian registrants and held 95.0% of the shares issued.

†Charged or credited to retained earnings prior to 1968.

Products

Metals

Lead, Zinc, Silver, Bismuth, Cadmium, Mercury, Indium, Gold, Antimonial Lead, Zinc Dust, Pig Iron, Steel

Concentrates

Zinc, Lead, Copper, Iron, Tin,

High Purity Metals (99.999% and 99.9999% pure)

Aluminum, Antimony, Arsenic, Bismuth, Cadmium, Copper, Gold, Indium, Lead, Silver, Tin, Tellurium, Thallium, Zinc

Fabricated Metal Products

Zinc Die Castings, Zinc Extrusions, Zinc Forgings, Cadmium and Zinc Plating Anodes, Zinc Anodes for Cathodic Protection, Steel Fasteners, Light and Medium Structural Steel Products, Continuously Cast Lead Sheet (SHEALD), Colored Zinc Coating (DECRALOY)

Electronic Materials

Fabricated Forms of High Purity Metals, Compound Semiconductors

2,400-pound zinc jumbo ingots being checked for shipment at Trail, B.C.

The experimental car, Zn 75, and some of its component parts designed to give maximum utilization of zinc.

Chemical Fertilizers

Ammonium Sulphate, Ammonium Nitrate, Urea, Anhydrous and Aqua Ammonia, Nitrogen Solutions, Ammonium Phosphates, Ammonium Nitrate-Phosphates, Complete Fertilizers, Ammonium Phosphate Solutions, Phosphoric Acid, Nitrogen-Sulphur Solutions, Zinc Fertilizer Compound

Chemicals

Ammonia, Ammonium Nitrate, Ammonium Sulphate, Urea, Feed Grade Urea, Sulphuric Acid, Sulphur Dioxide, Hydrofluosilicic Acid, Nitric Acid, Iron Calcine

Muriate of Potash

Granular, Coarse, Standard, Special Standard, White Soluble

Exploration work on 26-foot coal seam of Fording Coal property on Eagle Mountain.

Bottling mercury for shipment in 76-pound flasks — Pinchi Lake mine.

Cominco Ltd. Head Office: 630 Dorchester Boulevard West, Montreal, Canada

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